

Message Text

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PAGE 01 STATE 270839

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DRAFTED BY: OPIC/GC:PETER R. GILBERT

APPROVED BY: EB/IFD/OIA:RJSMITH

EB/IFD/OIA:DHSTEBBING

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FM SECSTATE WASHDC

TO AMEMBASSY GEORGETOWN NIACT IMMEDIATE

C O N F I D E N T I A L STATE 270839

PASS TO HUNT

E.O. 11652: GDS

TAGS: EINV, GY

SUBJECT: REYNOLDS

REF: A. GEORGETOWN 2159 B. GEORGETOWN 2161

1. REFTEL A, PARA. 3 DIFFERENCE BETWEEN PERMANENT ASSET
FIGURE OF 8.488 MILLION ON SCHEDULE M AT DECEMBER 31, 1973,
AND PLANT, PROPERTY AND EQUIPMENT FIGURE OF 10.604 MILLION ON
BALANCE SHEET AS OF SAME DATE, IS DUE TO FACT THAT DIFFERENT
RATES OF DEPRECIATION USED FOR GUYANAN TAX PURPOSES AND SEVERAL
OTHER RATES OF DEPRECIATION USED FOR BOOK PURPOSES. IN
ADDITION, IMPORT DUTIES ARE CAPITALIZED FOR GUYANA
TAX PURPOSES AND NOT FOR BOOK PURPOSES.

2. A RECONCILIATION OF DIFFERENCES BASED ON DIFFERING RATES
OF DEPRECIATION WILL REQUIRE DETAILED REVIEW OF COMPUTER PRINT-
OUTS. REYNOLDS' POSITION IS THAT DEPRECIATION TAKEN FOR BOOK
PURPOSES MORE ACCURATELY REFLECTS REMAINING USEFUL LIFE THAN
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PAGE 02 STATE 270839

ARTIFICIAL DEPRECIATION RATES CHOSEN FOR TAX PURPOSES.

3. REFTEL B, PARA. 5. REYNOLDS HOPES TO FURNISH OPIC BY WEDNESDAY WITH ESTIMATES OF PROJECTED FIGURES FOR PLANT, PROPERTY AND EQUIPMENT, OTHER ASSETS AND DEFERRED CHARGES AT DECEMBER 31, 1974.

4. REFTEL A, PARA. 2. DEFERRED CHARGES OTHER THAN DEFERRED STRIPPING AND GEOLOGICAL EXPENSES DESCRIBED IN SCHEDULE M AT DECEMBER 31, 1973 ARE INCLUDED IN BALANCE SHEET AT DECEMBER 31, 1973 BUT IN A DIFFERENT FORM. THE FOLLOWING ARE APPROXIMATE FIGURES AND REFER TO SPECIFIC LINE ITEMS IN THE DECEMBER 31, 1973 BALANCE SHEET: DOLS 2.2 MILLION (LINE 13) INVENTORIES OF SUPPLIES; DOLS 47,000 (LINE 8) INVENTORIES OF MATERIALS FOR RESALE; DOLS 800,000 (LINE 8) INVENTORIES OF OPERATING OR MANUFACTURING SUPPLIES; DOLS 174,000 (LINE 7) PREPAID TAXES; AND DOLS 9,000 (LINE 7) OTHER PREPAID ITEMS.

5. REGARDING DEFERRED STRIPPING AND GEOLOGICAL EXPENSES, THEY ARE EXPENSED FOR BOOK PURPOSES BUT CAPITALIZED FOR TAX PURPOSES UNDER GUYANESE LAW.

6. IT IS REYNOLDS' POSITION, THEREFORE, THAT ALL DEFERRED CHARGES REPRESENT ASSETS WHICH SHOULD BE ACQUIRED BY GOG. INGERSOLL

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